

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Elk Rapids Township	County Antrim
Fiscal Year End 3/31/06	Opinion Date 10/23/06	Date Audit Report Submitted to State 11/28/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) J L Stephan Co, PC		Telephone Number (231) 941-7600		
Street Address 862 E. Eighth St.		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Jerry L. Stephan		License Number 1101010359

Elk Rapids Township
Antrim County, Michigan

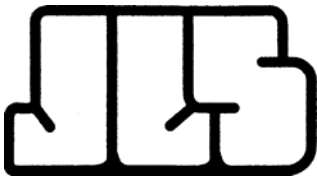
Audited Financial Statements

March 31, 2006

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FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty K. Szasz-Busby, CPA
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Christopher H. Cornell, CPA

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Elk Rapids Township
Box 365
Elk Rapids, MI 49629

We have audited the accompanying financial statements of the governmental activities and each major fund of Elk Rapids Township as of and for the year ended March 31, 2006 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township as of March 31, 2006 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 18-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Elk Rapids Township. The combining non-major fund financial statements on pages 23-24 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. L. Stephan Co. P.C.

October 23, 2006

Elk Rapids Township*Exhibit A**Government Wide
Statement of Net Assets
March 31, 2006*

	<i>Governmental Activities</i>
Assets	
Cash and Cash Equivalents	\$ 505,651
Receivables	
Taxes & Fees	25,311
Due From Others	122
Due from Other Funds	3,747
Capital Assets	<u>2,340,784</u>
<i>Total Assets</i>	<u>2,875,615</u>
Liabilities	
Accounts Payable	-
Accrued and Other Liabilities	-
Due to Other Funds	3,580
Deferred Revenue	25,311
Non-Current Liabilities	
Due within one year	28,182
Due within more than one year	<u>205,256</u>
<i>Total Liabilities</i>	<u>262,329</u>
Net Assets	
Invested in Capital Assets - net of related debt	2,107,346
Unrestricted	<u>505,940</u>
<i>Total Net Assets</i>	<u>\$ 2,613,286</u>

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
Government Wide
Statement of Activities
For the Year Ended March 31, 2006

Exhibit B

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Primary</i>
		<i>Charges for</i>	<i>Operating</i>	<i>Capital</i>	<i>Government</i>
		<i>Services</i>	<i>Grants and</i>	<i>Grants and</i>	<i>Governmental</i>
			<i>Contributions</i>	<i>Contributions</i>	<i>Activities</i>
<i>Primary Government</i>					
General Government	\$ 298,589	\$ 15,188	\$ 11,401	\$ -	\$ (272,000)
Public Safety	295,473	69,174	40,074	8,844	(177,381)
Public Works	53,898	33,685	4,845	-	(15,368)
Community and Economic Dev.	34,341	-	-	-	(34,341)
Recreation and Culture	-	-	-	-	-
Other Functions	9,426	-	-	-	(9,426)
<i>Total Governmental Activities</i>	<u>691,727</u>	<u>118,047</u>	<u>56,320</u>	<u>8,844</u>	<u>(508,516)</u>
<i>Total Primary Government</i>	<u>\$ 691,727</u>	<u>\$ 118,047</u>	<u>\$ 56,320</u>	<u>\$ 8,844</u>	<u>(508,516)</u>
<i>General Revenues</i>					
					455,641
					72,612
					25,103
					6,597
					1,787
					2,039
<i>Special Items</i>					
					-
<i>Total General Revenues and Special Items</i>					<u>563,779</u>
<i>Change in Net Assets</i>					
					55,263
					2,558,023
					<u>\$ 2,613,286</u>

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township*Exhibit C**Governmental Funds**Balance Sheet**March 31, 2006*

	<i>General</i>	<i>Fire & Rescue</i>	<i>Non-Major Governmental Funds</i>	<i>Total</i>
Assets				
Cash - Unrestricted	\$ 213,356	\$ 210,398	\$ 81,897	\$ 505,651
Taxes & Fees Receivable	12,259	12,699	353	25,311
Pension W/H Receivable	122	-	-	122
Due From Others	-	-	-	-
Due from Other Funds	3,747	-	-	3,747
<i>Total Assets</i>	<u>229,484</u>	<u>223,097</u>	<u>82,250</u>	<u>534,831</u>
Liabilities				
Payroll Liabilities	-	-	-	-
Due to Other Funds	-	3,580	-	3,580
Deferred Revenue	12,259	12,699	353	25,311
<i>Total Liabilities</i>	<u>12,259</u>	<u>16,279</u>	<u>353</u>	<u>28,891</u>
Fund Balances				
Fund Balances	<u>217,225</u>	<u>206,818</u>	<u>81,897</u>	<u>505,940</u>
<i>Total Fund Balances</i>	<u>\$ 217,225</u>	<u>\$ 206,818</u>	<u>\$ 81,897</u>	<u>505,940</u>

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
*Reconciliation of the Balance Sheet
to the Statement of Net Assets
March 31, 2006*

Exhibit D

Fund Balance - Total Governmental Funds (Exhibit C)	\$ 505,940
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*Amounts reported for governmental activities in the statement of net assets
are different because:*

General Governmental Capital Assets of \$3,659,735 net of accumulated depreciation of (\$1,318,951) are not financial resources and not reported in the funds.	2,340,784
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Some Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported in the fund.	<u>(233,438)</u>
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Net Assets of Governmental Activities	<u><u>\$ 2,613,286</u></u>
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Elk Rapids Township
Governmental Fund
Statement of Revenues, Expenditures
and Changes on Fund Balance
For the Year Ended March 31, 2006

Exhibit E

	<i>General Fund</i>	<i>Fire & Rescue Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues				
Property Taxes	\$ 236,866	\$ 218,775	\$ -	\$ 455,641
Licenses & Permits	5,718	-	-	5,718
State Revenues	72,612	8,844	-	81,456
Local Govt. Contributions	11,401	40,074	-	51,475
Charges for Services	5,720	69,174	33,685	108,579
Interest Earned	24,319	622	162	25,103
Rentals	3,750	-	-	3,750
Refunds	5,156	1,441	-	6,597
Special Assessments	-	-	4,845	4,845
Contributions	1,000	-	787	1,787
Miscellaneous Income	790	1,249	-	2,039
<i>Total Revenues</i>	<u>367,332</u>	<u>340,179</u>	<u>39,479</u>	<u>746,990</u>
Expenditures				
General Government	254,237	-	-	254,237
Public Safety	-	445,204	2,000	447,204
Public Works	3,422	-	29,451	32,873
Community & Economic Dev.	34,341	-	-	34,341
Recreation and Culture	-	-	-	-
Other Functions	9,426	-	-	9,426
<i>Total Expenditures</i>	<u>301,426</u>	<u>445,204</u>	<u>31,451</u>	<u>778,081</u>
<i>Excess Revenues Over (Under)</i>				
<i>Expenditures</i>	65,906	(105,025)	8,028	(31,091)
<i>Other Financing Sources (Uses)</i>				
Proceeds from Debt	-	197,228	-	197,228
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>197,228</u>	<u>-</u>	<u>197,228</u>
<i>Excess of Revenues and Other Sources Over (Under)</i>				
<i>Expenditures and Other Uses</i>	65,906	92,203	8,028	166,137
Fund Balance - Beginning	151,319	114,615	73,869	339,803
Fund Balance - Ending	<u>\$ 217,225</u>	<u>\$ 206,818</u>	<u>\$ 81,897</u>	<u>\$ 505,940</u>

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township

Exhibit F

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2006*

Change in Fund Balance - Total Governmental Funds (Exhibit E)	\$ 166,137
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Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$218,135) exceeds depreciation (\$140,081) in the current period.

78,054

Payment on Long-Term Debt

8,300

Debt proceeds are not reported as financing sources on the statement of activities

(197,228)

Change in net assets of governmental activities (Exhibit B)

\$ 55,263

Elk Rapids Township*Exhibit G**Fiduciary Fund
Statement of Net Assets
March 31, 2006*

	<i>Cemetery Perpetual Care</i>	<i>Mina Wilcox Recreation Field Escrow</i>	<i>Tax Collection</i>
Assets			
Cash	\$ 75,000	\$ 19,581	\$ 469
Due From Other Funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<i>75,000</i>	<i>19,581</i>	<i>469</i>
	<hr/>	<hr/>	<hr/>
Liabilities			
Due to other Funds	-	-	167
Due to Others	-	-	302
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<i>-</i>	<i>-</i>	<i>469</i>
	<hr/>	<hr/>	<hr/>
Net Assets			
Held for Improvements	\$ 75,000	\$ 19,581	\$ -
	<hr/>	<hr/>	<hr/>

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
Fiduciary Fund
Statement of Changes in Net Assets
For the Year Ended March 31, 2006

Exhibit H

	<i>Cemetery Perpetual Care</i>	<i>Mina Wilcox Recreation Field Escrow</i>
Additions		
Contributions	\$ -	\$ 19,500
<i>Total Contributions</i>	-	19,500
Interest Income	-	81
<i>Total Additions</i>	-	19,581
Deductions		
Transfer to Cemetery Fund	-	-
<i>Total Deductions</i>	-	-
<i>Change in Net Assets</i>	-	19,581
Net Assets - Beginning of Year	75,000	-
Net Assets - End of Year	\$ 75,000	\$ 19,581

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Elk Rapids Township have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in these statements include the following:

- Depreciation of capital assets of the Township.
- Financial statements using the accrual basis of accounting for all the Township's activities as adjusted for capital assets and depreciation.
- A change in fund financial statements to focus on major funds.

A. Reporting Entity

Elk Rapids Township is a common law township as defined by the laws of the State of Michigan. The Township is located in Antrim County and is governed by an elected Supervisor and Township Board. The current state taxable value is \$198,149,366.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

Elk Rapids Joint Building Authority – The Authority operates as an autonomous agency completely separate from Elk Rapids Township and the Village of Elk Rapids. On this basis, accordingly, the financial statements of the Authority have not been included in the financial statements of any other organizations.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Elk Rapids Township
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township collects summer school taxes from July 1 and September 15 and property taxes between December 1 and February 28. Any uncollected real property taxes that become delinquent March 1 are purchased (paid) by Antrim County after the Township's year-end. Delinquent property taxes and administration fees receivable are not normally received within 60 days of the Township's fiscal year end, and are therefore reflected as deferred revenue on the combined balance sheet.

The local unit reports the following major governmental funds:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Fire and Rescue Fund – This fund is used to account for specific governmental revenues and expenditures related to the operation of the Township's fire and rescue services. Revenues are derived primarily from property taxes, contributions from other local units and charges for services.

Elk Rapids Township
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Additionally, the government reports the following fund types:

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than debt service and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Funds currently maintained by the Township are Bass Lake Special Assessment Fund, Birch Lake Sewer Operating & Maintenance Fund, Fire Memorial Fund and the Ambulance Memorial Fund and are considered non-major governmental funds.

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Tax Collection Fund, Mina Wilcox Recreation Field Escrow Fund and Cemetery Perpetual Care Fund belong to this Fund type.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are changes between the government's water function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Elk Rapids Township
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Depreciation has been provided on these fixed assets using the straight line method over there estimated useful lives. A half year of depreciation is taken in the year of acquisition.

• Office Equipment & Furniture	5 years
• Land Improvements	20 years
• Roads and Paving	20 years
• Buildings and Improvements	30 years
• Motor Vehicles & Equipment	5-20 years
• Sewer System	10-40 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

In the budgetary comparison schedule for the Fire and Rescue Fund, the Township's actual expenditures and budgeted expenditures have been shown on a functional basis. The approved budget of the Township for this budgetary fund is treated as adopted at the activity level.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the current year, the Township incurred expenditures in excess of the amount appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Board of Review	\$ 900	\$ 960	\$ (60)
General Fund: Township Hall & Grounds	9,700	10,535	(835)
Fire & Rescue Fund: Fire	149,000	295,643	(146,643)

In the Fire and Rescue fund, the Township did not budget for the loan proceeds or related expenditure for a new fire truck.

Elk Rapids Township
Notes to Financial Statements
 March 31, 2006

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Michigan Compiled Laws, Section 129.91

This law authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements' bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Council has designated one bank for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as outlined above.

The Local Governmental Unit's deposits and investment policy are in accordance with the statutory authority.

B. Types of Deposits and Investments

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	<u><i>Governmental Activities</i></u>	<u><i>Fiduciary Funds</i></u>	<u><i>Total Primary Government</i></u>
Cash and Equivalents	\$ 505,651	\$ 95,050	\$ 600,701
Investments	-	-	-
Restricted Assets	-	-	-
 Total Deposits	 <u>\$ 505,651</u>	 <u>\$ 95,050</u>	 <u>\$ 600,701</u>

The bank balance of the primary government's deposits is \$600,701, of which \$100,400 is covered by federal depository insurance.

NOTE 4 - SUMMARY OF CAPITAL ASSETS

Capital asset activity of the primary government for the current year is summarized as follows:

Governmental Activities

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Deletions</i></u>	<u><i>Ending Balance</i></u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 80,723	\$ -	\$ -	\$ 80,723

Elk Rapids Township
Notes to Financial Statements
 March 31, 2006

NOTE 4 - SUMMARY OF CAPITAL ASSETS – continued

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<i>Capital Assets Being Depreciated</i>				
Buildings & Improvements	1,292,259	-	-	1,292,259
Fire & Ambulance Equip.	289,248	20,907	-	310,155
Fire & Ambulance Vehicles	336,494	197,228	-	533,722
Fire Building & Imp.	492,963	-	-	492,963
Office Equip. & Furniture	83,118	-	-	83,118
Land Improvements	15,875	-	-	15,875
Sewer System	<u>850,920</u>	<u>-</u>	<u>-</u>	<u>850,920</u>
	<u>3,360,877</u>	<u>218,135</u>	<u>-</u>	<u>3,579,012</u>
<i>Accumulated Depreciation</i>				
Buildings & Improvements	(212,655)	(43,075)	-	(255,730)
Fire & Ambulance Equip.	(121,544)	(28,216)	-	(149,760)
Fire & Ambulance Vehicles	(93,216)	(21,756)	-	(114,972)
Fire Building & Imp.	(167,929)	(16,432)	-	(184,361)
Office Equip. & Furniture	(35,255)	(8,783)	-	(44,038)
Land Improvements	(7,541)	(794)	-	(8,335)
Sewer System	<u>(540,730)</u>	<u>(21,025)</u>	<u>-</u>	<u>(561,755)</u>
	<u>(1,178,870)</u>	<u>(140,081)</u>	<u>-</u>	<u>(1,318,951)</u>
<i>Net Capital Assets being Depreciated</i>	<u>2,182,007</u>	<u>78,054</u>	<u>-</u>	<u>2,260,061</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 2,262,730</u>	<u>\$ 78,054</u>	<u>\$ -</u>	<u>\$ 2,340,784</u>

Depreciation expense in the current year was charged to programs of the primary government as follows:

<u><i>Governmental Activities</i></u>	
General Government	\$ 52,652
Public Safety	66,404
Public Works	<u>21,025</u>
Total Governmental Activities	<u>\$ 140,081</u>

Elk Rapids Township
Notes to Financial Statements
 March 31, 2006

NOTE 5 – LONG-TERM DEBT

The following is a summary of debt transactions of the Township for the year ended March 31, 2006:

	<i>Office Furniture</i>	<i>Fire Truck</i>	<i>Total</i>
Beginning Balance	\$ 44,510	\$ -	\$ 44,510
New Borrowing	-	197,228	197,228
Principle Payments	<u>(8,300)</u>	<u>-</u>	<u>(8,300)</u>
Ending Balance	<u>\$ 36,210</u>	<u>\$ 197,228</u>	<u>\$ 233,438</u>

A. Notes Payable

On April 19, 2004, the Township entered into an installment loan agreement with Alden State Bank for the purchase of furniture and equipment. The note requires 5 annual payments of \$9,858.11 including interest beginning April 19, 2005. The interest rate is fixed at 3.5% per year. Current year interest expense of \$1,558 is part of general government direct expenses on the statement of net assets.

On September 30, 2005, the Township entered into an installment loan agreement with Alden State Bank for the purchase of a new fire truck. The note requires 10 annual payments of \$24,479.01 including interest beginning April 19, 2006. The interest rate is fixed at 4.5% per year.

Future payments under the installment loan for fiscal year ending March 31:

<u>Year</u>	<i>Office Furniture</i>	<i>Fire Truck</i>	<i>Total</i>
2007	\$ 9,858	\$ 24,479	\$ 34,337
2008	9,858	24,479	34,337
2009	9,858	24,479	34,337
2010	9,858	24,479	34,337
2011	-	24,479	24,479
2012-2016	<u>-</u>	<u>122,395</u>	<u>122,395</u>
Total Payments	39,432	244,790	284,222
Interest	<u>(3,222)</u>	<u>(47,562)</u>	<u>(50,784)</u>
	<u>\$ 36,210</u>	<u>\$ 197,228</u>	<u>\$ 233,438</u>

NOTE 6 – PENSION PLAN

The Township participates in a defined contribution pension plan through Manufacturers Life Insurance. The plan covers all elected officials. The 2005-2006 Township contribution to the plan was \$8,300 and the employee contribution was \$700. It also incurred administration fess of \$675. The Township provides social security coverage for its officials and employees not covered by the pension plan.

Elk Rapids Township
Notes to Financial Statements
March 31, 2006

NOTE 7 – RISK MANAGEMENT

The Township pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Township carries coverage for property damage, liability, wrongful acts, automobile, crime, and inland marine claims. Also, the Township carries worker's compensation insurance with The Accident Fund of Michigan and Michigan volunteer firefighters accident insurance coverage with MCM Group, Inc. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Michigan Consolidated Gas Company has requested the Michigan Tax Tribunal to enter an order reducing the 1997 through 2005 taxable value and property tax statement by approximately 49 percent. The Township attorney believes it probable some adjustment will be made. For years 2000 to 2004, Michigan Consolidated Gas Company paid approximately 75% of tax amounts billed based on expected reduction by the tribunal. The Township Assessor believes repayment, if any, will be for years 1997 to 1999 and the township may incur a liability of less than \$2,000. The Township has not established a contingent liability for the estimated loss due to the uncertainty of the outcome.

Heirs of a former township resident have filed suit to set aside a lease between the Township and the Elk Rapids Sportsman's Club and to seek enforcement of fifty-year-old deed restriction. The Circuit Court found in favor of the Plaintiff's in early 2005. The Court of Appeals affirmed the Circuit Court action in November 2005. The Michigan Supreme Court denied Leave to Appeal in July 2006. The Township has been ordered to develop a Court approve public recreation park on the subject lands or the property will revert to the heirs. The heirs are not requesting monetary damages; however the Township's costs of defending the action are substantial. Phase I and II environmental assessments have determined the site has lead contamination. The Township and its environmental consultants are continuing to review the alternatives concerning site remediation. The assessments and future environmental investigations, not including cleanup and remediation will likely be significant. These costs cannot be readily determined and will be expenditures of future periods.

REQUIRED SUPPLEMENTAL INFORMATION

Elk Rapids Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 151,319	\$ 151,319	\$ 151,319	\$ -
Resources (Inflows)				
Property Taxes	165,000	165,000	169,165	4,165
Delinquent Property Tax	12,000	12,000	9,893	(2,107)
Penalties & Interest on Taxes	3,000	3,000	1,390	(1,610)
Property Tax Administration Fee	48,000	48,000	54,087	6,087
Delinquent PTAF	2,500	2,500	2,274	(226)
Dog Tax	30	30	57	27
Zoning Permits	4,000	4,000	5,718	1,718
State Shared Revenue	75,000	75,000	70,308	(4,692)
Swamp Tax	34	34	34	-
Metro Act	-	-	2,270	2,270
School Tax Collection Fee	11,500	11,500	11,401	(99)
Sale of Cemetery Lots	5,000	5,000	5,720	720
Earned Interest	3,000	3,000	24,319	21,319
Rents and Royalties	5,000	5,000	3,750	(1,250)
Reimbursements	5,000	5,000	5,156	156
Contributions	10,000	10,000	1,000	(9,000)
Other Revenues	-	-	790	790
Proceeds from Debt	-	-	-	-
Transfer from Other Funds	-	-	-	-
Total Available for Appropriation	500,383	500,383	518,651	18,268
Charges to Appropriations (Outflows)				
General Government				
Township Board	115,800	115,800	106,734	9,066
Supervisor	16,690	16,690	16,435	255
Elections	3,500	3,500	987	2,513
Assessor	42,959	42,959	31,093	11,866
Clerk	22,137	22,137	18,481	3,656
Board of Review	900	900	960	(60)
Treasurer	26,992	26,992	18,704	8,288
Government Center	22,500	32,500	26,020	6,480
Township Hall & Grounds	9,200	9,700	10,535	(835)
Cemetery	26,900	26,900	24,288	2,612
Public Works				
Road Maintenance	20,000	20,000	2,632	17,368
Street Lights	1,000	1,000	790	210

Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
<i>Charges to Appropriations (Outflows) - continued</i>				
Community & Economic Development				
Zoning	49,650	49,650	34,341	15,309
Parks & Recreation	5,000	5,000	-	5,000
Other Expenditures				
Farmland Preservation	3,000	3,000	-	3,000
Wilcox Park Improvement	10,000	10,000	365	9,635
Retirement	10,000	10,000	8,975	1,025
Spring Clean Up	3,000	4,000	86	3,914
Contingencies	12,000	500	-	500
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	<u>401,228</u>	<u>401,228</u>	<u>301,426</u>	<u>99,802</u>
Budgetary Fund Balance	<u>\$ 99,155</u>	<u>\$ 99,155</u>	<u>\$ 217,225</u>	<u>\$ 118,070</u>

Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
Budgetary Comparison Schedule
Fire and Rescue Fund
For the Year Ended March 31, 2006

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 114,615	\$ 114,615	\$ 114,615	\$ -
Resources (Inflows)				
Current Property Taxes	183,350	183,350	208,264	24,914
Delinquent Property Taxes	8,000	8,000	10,511	2,511
State Grants	-	-	8,844	8,844
Local Unit Contributions	39,000	39,000	40,074	1,074
Charges for Services	57,000	57,000	69,174	12,174
Earned Interest	3,500	3,500	622	(2,878)
Refunds	2,000	2,000	1,441	(559)
Other Revenues	-	-	1,249	1,249
Other Contributions	-	-	-	-
Proceeds from Debt	-	-	197,228	197,228
Transfer from Other Funds	-	-	-	-
Total Available for Appropriation	407,465	407,465	652,022	244,557
Charges to Appropriations (Outflows)				
Fire Protection				
Chief Wages	4,500	4,500	4,500	-
Deputy Chief Wages	2,000	2,000	2,000	-
Training Wages	10,000	10,000	10,076	(76)
Officers	3,250	3,250	3,167	83
Payroll Taxes	2,000	2,000	2,353	(353)
Runs	16,000	16,000	11,025	4,975
Uniforms	1,500	1,500	268	1,232
Supplies & Postage	1,500	1,500	3,183	(1,683)
Dues & Fees	1,500	1,500	1,033	467
Hazardous Materials	750	750	-	750
Gas & Oil	1,200	1,200	2,615	(1,415)
Legal	750	750	2,069	(1,319)
Medical/Physicals	5,000	5,000	333	4,667
Telephone	1,200	1,200	944	256
Mileage	850	850	1,844	(994)
Insurance	6,500	6,500	10,695	(4,195)
Publishing	-	-	132	(132)
Maintenance	20,000	20,000	14,303	5,697
Education	4,000	4,000	6,968	(2,968)
Capital Outlay	66,500	66,500	218,135	(151,635)
	149,000	149,000	295,643	(146,643)

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
Budgetary Comparison Schedule
Fire and Rescue Fund
For the Year Ended March 31, 2006

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Rescue Unit				
Chief Wages	4,320	4,320	4,320	-
Volunteers	29,250	29,250	27,135	2,115
Deputy Wages	1,500	1,500	1,500	-
Training Officer Wages	3,900	3,900	1,200	2,700
Finance Officer Wages	-	-	1,500	(1,500)
Shift Pay Wages	56,000	56,000	55,077	923
Continuing Education	3,500	3,500	1,776	1,724
Payroll Taxes	7,533	7,533	7,077	456
Supplies & Postage	9,450	9,450	8,946	504
Gas & Oil	2,000	2,000	1,908	92
Legal	500	500	181	319
Medical & Physicals	405	405		405
Telephone	1,600	1,600	1,530	70
Mileage	500	500	178	322
Insurance	12,000	12,000	9,201	2,799
Administration Fee - Village	9,000	9,000	6,766	2,234
Maintenance and Repairs	8,000	8,000	3,501	4,499
Laundry and Miscellaneous	-	-	-	-
Education & Dues	4,000	4,000	2,522	1,478
Capital Outlay	15,000	15,000	-	15,000
	168,458	168,458	134,318	34,140
Building Expenditures				
Wages & Taxes	15,000	15,000	69	14,931
Supplies	1,800	1,800	1,760	40
Legal	150	150	-	150
Insurance	15,000	15,000	-	15,000
Electricity	4,500	4,500	3,525	975
Heating & Gas	2,800	2,800	3,905	(1,105)
Cleaning	900	900	900	-
Snow Plowing	750	750	1,181	(431)
Water & Sewer	425	425	378	47
Trash Pick-up	600	600	598	2
Maintenance	8,900	8,900	2,680	6,220

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
Budgetary Comparison Schedule
Fire and Rescue Fund
For the Year Ended March 31, 2006

Schedule 2

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Building Expenditures - continued				
Miscellaneous	-	-	247	(247)
Capital Outlay	<u>35,661</u>	<u>35,661</u>	<u>-</u>	<u>35,661</u>
	86,486	86,486	15,243	71,243
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Charges to Appropriations</i>	<u>403,944</u>	<u>403,944</u>	<u>445,204</u>	<u>(41,260)</u>
Budgetary Fund Balance	<u><u>\$ 3,521</u></u>	<u><u>\$ 3,521</u></u>	<u><u>\$ 206,818</u></u>	<u><u>\$ 203,297</u></u>

The Notes to Financial Statements are an integral part of this statement

ADDITIONAL INFORMATION

Elk Rapids Township
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2006

	<i>Special Revenue Funds</i>				<i>Total Non-Major Governmental Funds</i>
	<i>Ambulance Memorial</i>	<i>Fire Memorial</i>	<i>Birch Lake Operating & Maintenance</i>	<i>Bass Lake Special Assessment</i>	
Assets					
Cash	\$ 13,096	\$ 572	\$ 36,940	\$ 31,289	\$ 81,897
Taxes Receivable	-	-	-	353	353
Due from Other Funds	-	-	-	-	-
<i>Total Assets</i>	<u>\$ 13,096</u>	<u>\$ 572</u>	<u>\$ 36,940</u>	<u>\$ 31,642</u>	<u>\$ 82,250</u>
 Liabilities and Fund Equity					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	353	353
Due to Other Funds	-	-	-	-	-
Fund Balance	<u>13,096</u>	<u>572</u>	<u>36,940</u>	<u>31,289</u>	<u>81,897</u>
 <i>Total Liabilities and Fund Equity</i>	<u>\$ 13,096</u>	<u>\$ 572</u>	<u>\$ 36,940</u>	<u>\$ 31,642</u>	<u>\$ 82,250</u>

The Notes to Financial Statements are an integral part of this statement

Elk Rapids Township
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended March 31, 2006

	<i>Special Revenue Funds</i>				<i>Total Non-Major Governmental Funds</i>
	<i>Ambulance Memorial</i>	<i>Fire Memorial</i>	<i>Birch Lake Operating & Maintenance</i>	<i>Bass Lake Special Assessment</i>	
Revenues					
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	33,685	-	33,685
Interest and Rentals	47	4	111	-	162
Special Assessments	-	-	-	4,845	4,845
Contributions	729	58	-	-	787
Other Revenue	-	-	-	-	-
<i>Total Revenues</i>	<u>776</u>	<u>62</u>	<u>33,796</u>	<u>4,845</u>	<u>39,479</u>
Expenditures					
Public Safety	990	1,010	-	-	2,000
Public Works	-	-	28,596	855	29,451
Other	-	-	-	-	-
<i>Total Expenditures</i>	<u>990</u>	<u>1,010</u>	<u>28,596</u>	<u>855</u>	<u>31,451</u>
<i>Excess Revenues (Expenditures)</i>	<u>(214)</u>	<u>(948)</u>	<u>5,200</u>	<u>3,990</u>	<u>8,028</u>
<i>Other Financing Sources and (Uses)</i>					
Operating Transfers In	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-
<i>Total Other Financing Sources and Uses</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess Revenues (Expenditures) and Other Sources (Uses)</i>	<u>(214)</u>	<u>(948)</u>	<u>5,200</u>	<u>3,990</u>	<u>8,028</u>
Fund Balance - Beginning Or Year	<u>13,310</u>	<u>1,520</u>	<u>31,740</u>	<u>27,299</u>	<u>73,869</u>
Fund Balance - End of Year	<u>\$ 13,096</u>	<u>\$ 572</u>	<u>\$ 36,940</u>	<u>\$ 31,289</u>	<u>\$ 81,897</u>

The Notes to Financial Statements are an integral part of this statement

OTHER INFORMATION (UNAUDITED)

Elk Rapids Township

Comments & Recommendations

We were engaged to audit the financial statements of Elk Rapids Township as of and for the year ended March 31, 2006 and issued our report thereon dated October 23, 2006. As part of our examination, we studied and evaluated the Township's internal control structure. Because the study and evaluation were only part of the overall audit plan regarding the financial statements, our study was more limited than would be necessary to express an opinion on the system of internal control taken as a whole. Accordingly, we do not express an opinion on the system of internal control of the Township taken as a whole.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

The following are considered material weaknesses as defined above.

Fire and Rescue Fund Monies

Fire & Rescue department officials have, in the past, received monies from tribal grants, inheritances, etc. that were not deposited with the Township Treasurer. These monies are confirmed by the bank as being the Township's. However, they appear to be under control of the Ambulance Association. There are no records of these receipts or related expenditures given to the Township Treasurer or Clerk for inclusion in the Township's accounting system. The Michigan Department of Treasury policy requires all monies received on behalf of the Township or its departments be deposited in financial institutions in control of the Township Treasurer and recorded by the Township Clerk. At the completion of audit procedures, the Treasurer is in the process of taking control of the account and obtaining all records. This is a repeat comment from prior years.

The following are reportable conditions that are not considered to be material weaknesses.

Budget

We continue to note a budget worksheet is not maintained that details the original adopted budget and budget amendments. Additionally, the Township did not budget for or amend its budget for the purchase and loan proceeds related to acquisition of a new fire truck.

In the future, the Township should amend its budget to reflect proceeds from new debt and the related capital outlay for asset acquisition. Debt service payments should either be a separate line item from capital outlay or an additional activity of the fund from which the debt payments are disbursed.

Additional time was required to reconcile budget amendments noted in the board minutes to the adopted budget and budgeted amounts on the computer print outs. This is a similar comment from prior years.

Elk Rapids Township

Comments & Recommendations

Board Minutes

The minutes did not reflect the creation/opening of the Mina Wilcox Recreation Field Escrow account. Although this is an escrow account and disbursements are made only by approval of the court, the account is in control of the Treasurer and should be noted in the minutes as any other bank depository account opened or closed in the Township's name.

Bank Accounts

The general ledger cash balances did not match the Treasurer's books in total. Although this is a repeat comment from prior years, the Treasurer has made strong progress ceasing commingling of funds. Additional time was required to reconcile the Treasurer's books, reconcile bank balances and the general ledger. We recommend the Treasurer continue his diligence maintaining accurate records that reconcile to the general ledger on a monthly basis.

Pension Plan

We noted an overpayment of retirement benefits on an employee's behalf from prior years has not been paid by or collected from the employee. We recommend either collecting the amount from the employee or have the Board consider forgiving the debt and add it to the employee's wages. This is a repeat comment from prior years.

In a continuing effort to enhance internal control and improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations that we do not consider being reportable conditions.

Inter-Fund Receivables

We noted an amount due between the General Fund and Fire and Rescue Fund from prior years was made in reverse. We strongly recommend a check be written to the General Fund from the Fire & Rescue Fund for the amount due of \$3,580 immediately.

Closing Comments

Some of the above comments are repeat comments from prior years. It is very important that serious consideration be given to these comments. We've noted significant progress was made to address many of the repeat comments. The most serious, monies in the Township's name and not in control of the Treasurer, has finally been addressed and should be resolved in the very near future. Many of the comments are procedural in nature and are easily resolved. The Treasurer and Clerk should be commended for their efforts. Please contact us if you need assistance with implementing these recommendations.

This report is intended solely for the information and use of the Township's Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties. We are happy to discuss any of these recommendations and assist in their implementation. If any questions arise regarding these financial statements or the conduct of our audit, please call upon us.